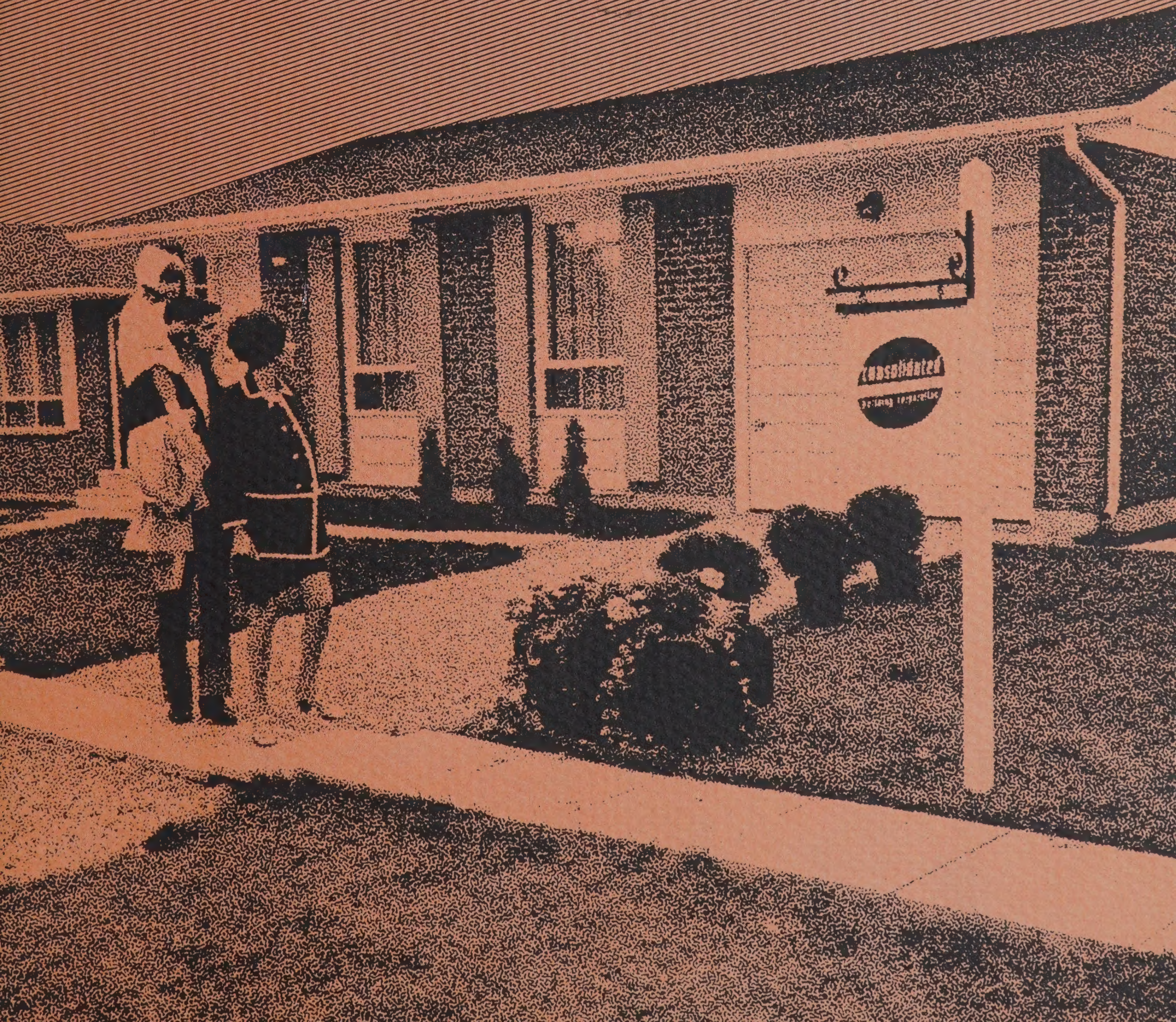
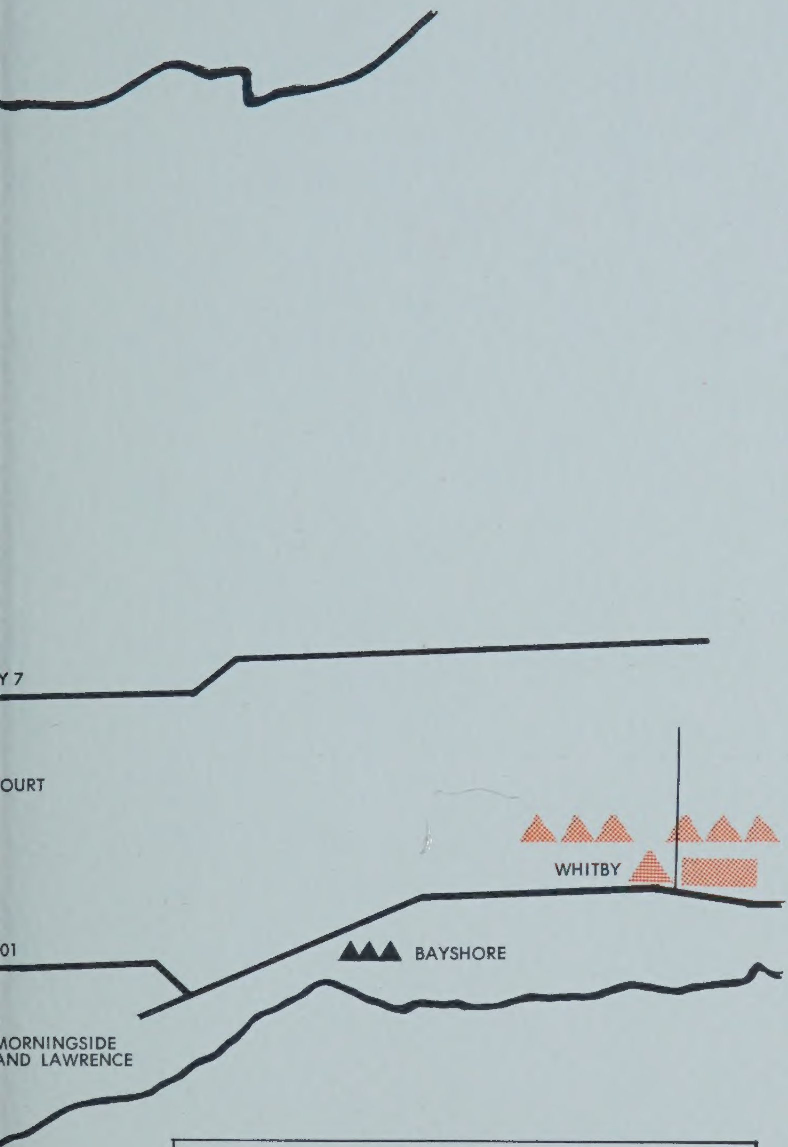
consolidated
building corporation

1971 annual report
consolidated building corporation limited



BARRIE SHOPPING CENTRE
LAKE S
BOLTON COUNTRY ESTATES
HIGHWAY 400
HIGHWAY 11
HIGHWAY 27
BRAMPTON
GATES OF BRAMALEA
MISSISSAUGA
HIGHWAY 10
PARKCHESTER
SPANISH VILLA
ALLENBURY
HIG
DON VALLEY EXPWY.
WALMER PLACE
99 AVENUE ROAD
REGENCY TOWERS HOTEL
RICHMOND STREET
MEADOWVALE
QUEEN ELIZABETH WAY
CLARKSON
LAKE ONTARIO
OAKDALE PARK



consolidated building corporation limited

Metropolitan Toronto & immediate surrounding Ontario communities

HOUSING

TOWNHOUSES

HIGH RISE

COMMERCIAL

Residential Properties for Sale

Oakdale Park
— 396 detached and attached homes and townhouses
*296 sold**

Brampton — H.O.M.E.
— 96 detached and attached homes
*89 sold**

Gates of Bramalea
— 217 condominium townhouses
*197 sold**

Bolton Country Estates
— 87 detached homes
*80 sold**

Spanish Villas
— 97 condominium townhouses
*60 sold**

*sale figures as of June 15, 1971.

Investment Properties

Barrie Shopping Centre

Allenbury Gardens
— 127 townhouses and maisonettes; presently rented; shortly to be sold as condominiums.

Parkchester
— 160 townhouses and maisonettes; presently rented; to be sold as condominiums in 1972.

Bayshore Heights
— 120 townhouses and maisonettes; presently rented; shortly to be sold as condominiums.

99 Avenue Road
— medical, professional and office building.

Regency Towers Hotel
Walmer Place
— residential — professional — commercial complex.

260 Richmond West
— office and commercial building.

In Planning

Whitby
— 600 detached homes and 100 townhouses
— 50 acres for future residential development
— 97 acres for future high rise residential and commercial development;

Agincourt
— 120 acres at Brimley Road and Finch Avenue for residential development;

Scarborough
— 1040 highrise apartment suites at Morningside Avenue for residential development;

Clarkson
— 500 unit townhouse and apartment condominium;

Mississauga
— 80 unit townhouse condominium;

Meadowvale
— 400 detached and attached homes and multiple dwellings.

Board of Directors

JOHN H. BROWN
President
Gairdner & Company Limited

JOHN D. FIENBERG
President and Chairman
Anlouis Investments Limited

W. BERNARD HERMAN, Q.C.
President
City Parking Canada Limited

WALTER A. KEYSER
Director
Gairdner & Company Limited

JAMES McFARLANE
Vice President, Operations
Consolidated Building Corporation Limited

MELVILLE O'DONOHUE, Q.C.
Partner
Gardiner, Roberts, Anderson, Conlin,
Fitzpatrick, O'Donohue and White

LAWRENCE SHANKMAN
President and Chairman
Consolidated Building Corporation Limited

LOUIS STULBERG
Vice President, Development and
Secretary-Treasurer
Consolidated Building Corporation Limited

BARRIE W. WEBB
Partner
Gardiner, Roberts, Anderson, Conlin,
Fitzpatrick, O'Donohue and White

Officers

LAWRENCE SHANKMAN, President and Chairman of the Board
LOUIS STULBERG, Vice President, Development and Secretary-Treasurer
FRANCIS D. CAVILL, Vice President, Investment Properties
JAMES McFARLANE, Vice President, Operations
D. NORMAN MORRIS, B.A., C.A., Vice President, Finance
SOMER RUMM, Vice President, Land

Head Office

99 Avenue Road, Toronto 180, Ontario

Auditors

Clarkson, Gordon & Co.

Corporate Counsel

Gardiner, Roberts, Anderson, Conlin, Fitzpatrick, O'Donohue and White

Transfer Agent and Registrar

Guaranty Trust Company of Canada

Listed on

Toronto Stock Exchange • Montreal Stock Exchange • Vancouver Stock Exchange

Financial Highlights

Highlights	1971	1970
Total Assets	**$24,471,267**	$20,298,200
Revenue	**$14,820,590**	$ 7,787,266
Earnings (Loss)	**$ 457,060**	$ (38,678)
Net Income Per Common Share*	**8¢**	(6)¢
Cash Flow From Operations	**$ 943,157**	$ 133,814
Cash Flow Per Common Share*	**21¢**	(1)¢
Shareholders' Equity	**$ 2,499,680**	$ 2,042,620
Number Of Common Shares Outstanding At Year End	**3,669,429**	3,669,429
Number Of First Preference Shares Outstanding At Year End	**288,100**	288,100

*After providing $172,860 for undeclared and unpaid dividends on the preference shares.

Report to the Shareholders:

LAWRENCE SHANKMAN

It is with pleasure that I report that the year ended February 28, 1971 saw significant progress in the operations of Consolidated Building Corporation Limited. Despite the general economic slowdown in Canada, your Company achieved a successful turn-about and is reporting a substantial profit for the year, as compared to a loss in 1970.

Financial

During the year under review, the Company earned a profit of $832,060 before deferred income taxes. As stated in note 4 to the balance sheet, the Company's policy has been to provide for income taxes on reported earnings, thus recording deferred income taxes in the accounts. With $375,000 recorded as deferred income taxes, the net earnings for the year amounted to $475,060.

Deferred income taxes of $375,000 do not represent an immediate cash outlay on the Company's part and it cannot be determined, at this time, at what future date the Company may have to pay these deferred taxes. Your Company therefore, has the use of cash received from operations before depreciation and deferred taxes for future growth opportunities.

Revenue for the year ended February 28, 1971 totalled $14,820,590, an increase of 90% over the $7,787,266 recorded for the previous year.

Assets increased by $4,137,067, the bulk of which represents inventory for future earnings potential. This inventory has provided the Company with a strong base for its 1972 profits.

The statement of source and use of funds shows the improved cash flow and resulting decrease of $512,371 in bank indebtedness.

In accordance with the terms of our trust indenture $412,000 of 6¼% Sinking Fund Debentures were purchased for cancellation during the past year.

Consolidated Building Corporation is a member of the Canadian Institute of Public Real Estate Companies (CIPREC) and I wish to advise you that the financial statements recorded herein are in accordance with the accounting guidelines established by CIPREC, with minor deviations, in which instance your Company has been more conservative.

Management

In December, 1970, D. Norman Morris was appointed Vice President, Finance of the Company. Mr. Morris graduated in commerce and economics from the Royal Military College, qualifying as a chartered accountant in 1957 while employed by Clarkson, Gordon & Co. Since that time, he has served as chief financial and accounting officer with several industrial companies.

During the past year, two positions became vacant on the Board of Directors due to the resignations of George H. Beeston and W. Vernon Howe. These positions were filled by the appointments of James McFarlane, Vice President, Operations, Consolidated Building Corporation, and Barrie W. Webb, of the firm of Gardiner, Roberts, Anderson, Conlin, Fitzpatrick, O'Donohue and White.

The Company's management personnel have developed a comprehensive, professional approach to our specialized industry and are capable of carrying on an expanded and diversified program. In the past, the Company's prime interest has been in the field of residential construction. It is the Company's policy to concentrate its efforts in those profit areas where existing management talent and expertise are strongest. We have therefore expanded the development program to include a much larger volume of residential building, the acquisition and development of land for future use, and the building and management of a sound investment income portfolio.

Operations

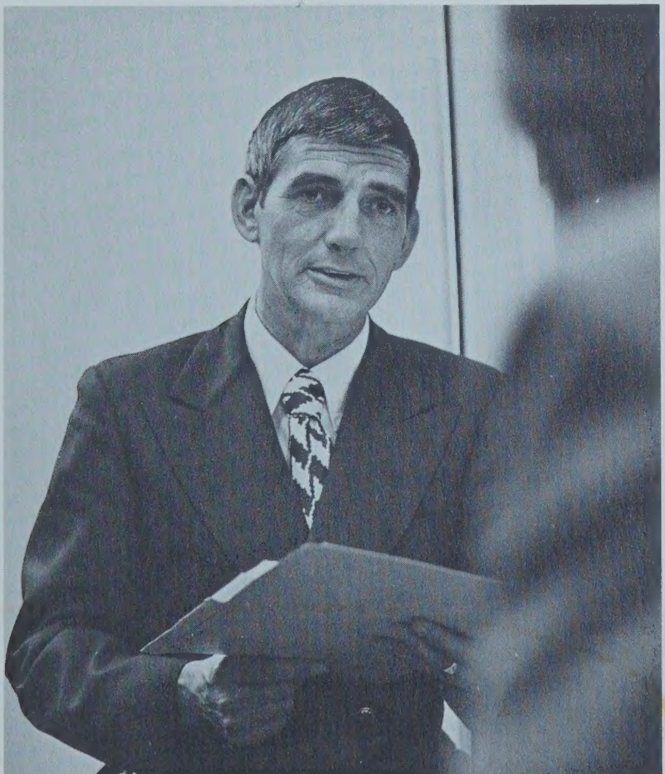
The Company completed the construction of Walmer Place in the past fiscal year. This retail, commercial and apartment tower in downtown Toronto was brought on-stream on April 1, 1971. I am pleased that the operating profits presently realized from this investment property far exceed management's forecast.

The Company's housing volume for the past year was considerably higher than the prior year. In keeping with good reporting procedure, it has been management's policy to report income from house sales *only* on closing; that is, when the purchaser takes possession of his unit and pays the balance of the price. Usually, there are a greater number of sales than closings and, as a result, each year ends with a carry-over of sales for the following year. In the past fiscal year, house sales were not only increased by 235%, but inventory of presold houses also was increased by 82%. Homes were sold in Oakville, Bolton, Brampton, Bramalea and Scarborough.

During the past year, your Company sold its remaining 50% interest in the Royal Hill Apartments in Toronto and the resulting profit was recorded in the accounts.

After analysing the existing market in the sale of highrise condominiums, your management decided that conditions were not favourable for an early start on the Bathurst Street condominium project. Accordingly, the site was sold at a profit. This profit will be reflected in the earnings for February 29, 1972.

Your Company continues to operate the Regency Towers Hotel, and I am pleased to announce the appointment of Barry Massey as general manager of the hotel. Mr. Massey has had nine years' experience in hotel operations, and it is expected that under his management the hotel will enjoy increased profits.



James McFarlane, Vice-President, Operations

Louis Stulberg, Vice-President, Development and Secretary-Treasurer, and Lawrence Shankman, President & Chairman of the Board

Future Prospects

For the past few years, your management has been engaged in a plan of reorganization and consolidation of the Company's operations. This plan has now been successfully completed and has resulted in a state of increased liquidity for your Company. An excellent inventory of land for future building operations has been built up and the Company is actively engaged in negotiating further land acquisitions.

Joint Ventures – 50% owned

Whitby – 700 lots presently being registered and an additional 50 acres of prime land adjacent to this development for future use.

Scarborough–Approval expected in the immediate future for the registration of 1,040 highrise apartment suites and it is expected that Phase 1 of this project will be ready for a 1971 construction start.

Scarborough – 120 acres purchased in a prime location in Scarborough, to be zoned for low, medium and high density residential development. Registration of this development expected in late 1972.

In all of its joint ventures, your Company has been able to utilize a maximum amount of leverage by contributing far less than 50% of the equity required to retain a 50% interest in profits.

Land 100% owned

Whitby – Your Company owns 97 acres at a major intersection in Whitby. This site is scheduled for the development of a commercial centre and high-to-medium density apartments. This land is expected to be ready in 1972.

Oakville – The redevelopment project in Oakville should be completed this year. It is anticipated that all remaining units will be sold and closed by February 29, 1972.

Francis D. Cavill, Vice-President, Investment Properties

Bolton – The balance of houses and lots will be sold and closed for our year end February 29, 1972.

Bramalea and Brampton – Both developments are H.O.M.E. projects. Forty percent of the homes were sold and closed in 1971, the balance will be closed for February 29, 1972.

Clarkson – Your Company has acquired sufficient land for the development of a 500 unit project of townhouse homes and apartments designed for condominium living. Construction is expected to start in 1971 with the project continuing into 1972.

Mississauga – Land has been acquired for an 80 unit townhouse condominium project which will be completed in 1972.

Meadowvale – Land has been acquired for the construction of approximately 400 units of detached, attached and condominium homes. Construction is expected to start in 1971 and to continue into 1972. Management looks forward to enjoying a long relationship with Markborough Properties Limited in this development as additional building lots become available in their future development stages.

Unlike most manufacturing corporations, your Company has no heavy investment in plant and machinery. A major part of its financial resources is invested in land inventory which, historically, has a record of appreciating in value. As previously stated, it is your management's intention to increase the Company's inventory in those areas where, in the opinion of management, development will take place.

A program for converting rental townhouse units to condominiums has been started. Spanish Villas, a pilot project of 97 townhouses in North York, has had an excellent response from the public with very little advertising. To this date, over 60 of the 97 units have been sold and it is expected that profits from the entire project will reflect in the operating results for February 29, 1972.

Bayshore, a group of 120 townhouses and maisonettes in Pickering Township, will be offered for sale to the public in August of this year. It is anticipated that the bulk of these units will be closed prior to the next year end.

Similarly, Allenbury Gardens, a group of 127 townhouses and maisonettes adjacent to the Fairview Mall at Don Mills Road and Sheppard Avenue in North York, will be offered for sale to the public this fall. Some of these units are expected to close by February 29, 1972 and the balance of sales will reflect in the profits for 1973.

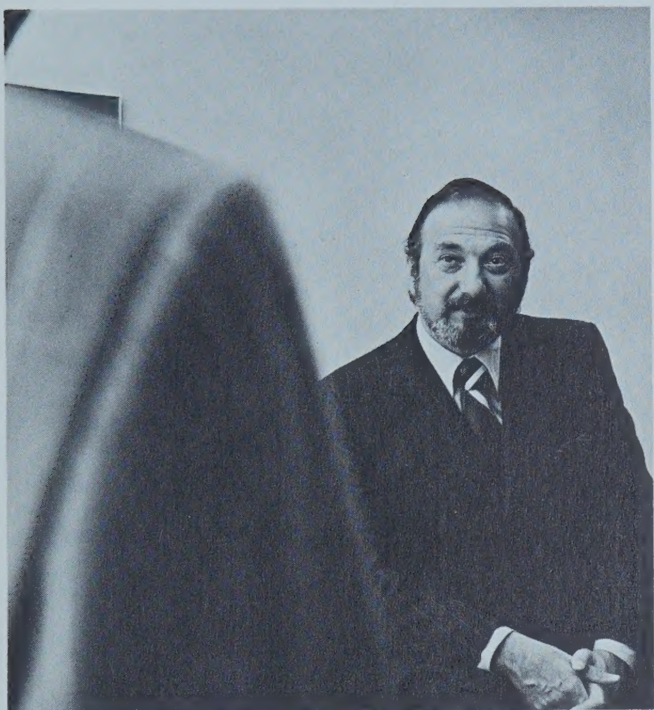
Parkchester, a group of 160 townhouses and maisonettes will go on sale in the spring of 1972 and profits will reflect in the years ending February, 1973 and 1974.

Since these units are five to six years' old, we are able to sell them at very competitive prices. A substantial amount of cash, in excess of $4 million, will be realized by the conversion and sale of these properties, along with a satisfactory profit.

We expect, as future H.O.M.E. lots become available, that your Company will be considered for allocation of lots for a home building program. The Company's record in H.O.M.E. projects in the past has been enviable both as to the quality of construction and the speed of sales.

At present, the Company has a substantial allotment of mortgage funds available for future building programs. Management is particularly pleased that the mortgage lenders, with whom Consolidated Building Corporation has done business in the past, have expressed confidence in the Company's construction and marketing abilities. We look forward to a long and friendly relationship with these companies and others with whom we are presently negotiating.

The future looks most promising for your Company. Considering the work in hand, indications are that in the coming year, substantial growth in profits can be anticipated. To ensure your Company a most profitable future, you will be requested at the Annual Meeting to vote on a proposed capital reorganization as approved by your Board of Directors. The information circular you received explains the proposed method of reorganization. If your Company is to become one of the largest and most profitable realty companies in Canada, it is essential that the deficit not deter the Company from attracting additional financing. I sincerely hope that you will support your Board in this proposal.



Somer Rumm, Vice-President, Land

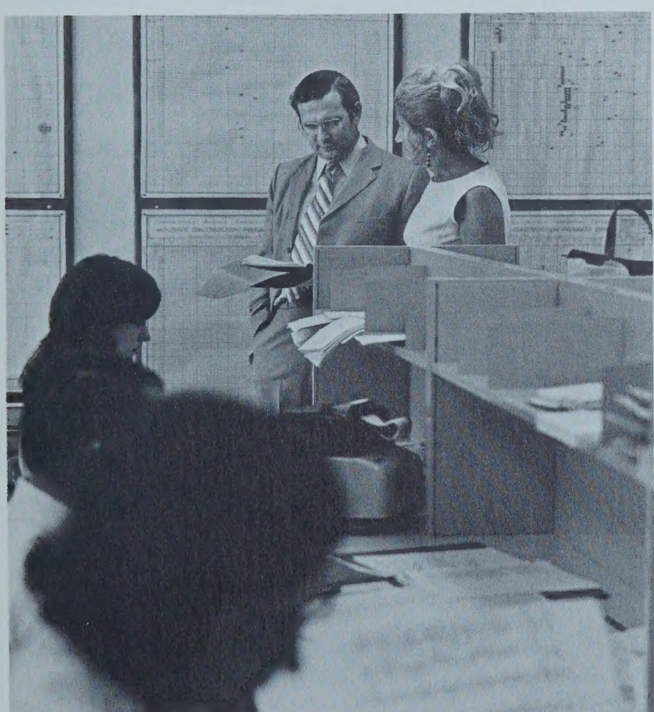
You can be assured that your Company's management and staff will work toward achieving a goal of increased profitability in the coming years. The decade of the seventies will provide the opportunity for continued growth in the real estate industry and your Company stands ready to take its place among the leaders in this field.

On behalf of your Board of Directors and your dedicated staff, I wish to thank you for your support and confidence in your Company's endeavours.

L Shankman

June 15, 1971.

LAWRENCE SHANKMAN
President and Chairman



D. Norman Morris, Vice-President, Finance

CONSOLIDATED BUILDING CORPORATION LIMITED
(and subsidiary companies)

Consolidated Balance Sheet

FEBRUARY 28, 1971
(with comparative figures for 1970)

Assets

	1971	1970
Cash	$ 19,234	$ 11,142
Mortgages and sundry receivables less allowance for loss	2,836,217	3,029,970
Deposits on land	10,000	86,526
Houses completed and under construction	5,525,931	2,657,619
Real estate held for development and sale – at lower of cost and estimated realizable value	3,321,333	3,036,058
Investment properties – at cost		
Buildings	11,098,570	9,480,587
Equipment	711,422	738,805
Leasehold improvements	462,688	424,690
Parking lot	274,344	274,344
	12,547,024	10,918,426
Less accumulated depreciation and amortization (note 1b)	2,029,109	1,927,040
	10,517,915	8,991,386
Land	1,381,580	1,500,927
	11,899,495	10,492,313
Investment in joint ventures (note 1a)	190,374	170,582
Prepaid expenses, sundry investments and advances	231,416	334,083
Unamortized financing costs	337,567	380,207
Excess of cost over book value of investment in subsidiaries at date of acquisition	99,700	99,700
	$24,471,267	$20,298,200

On behalf of the Board:
LAWRENCE SHANKMAN, *Director*
LOUIS STULBERG, *Director*

(See accompanying notes)

Liabilities

	1971	1970
Bank indebtedness (note 2)	$ 2,208,229	$ 2,720,600
Accounts payable and accrued liabilities	1,941,026	1,600,706
Mortgages on houses completed and under construction	3,659,815	675,000
Tenants' and other deposits	207,503	210,241
Mortgages and secured payables	2,287,650	1,451,450
Mortgages on investment properties (note 3a)	7,273,364	7,166,583
6¼% sinking fund debentures due February 1, 1979 (note 3b)	3,788,000	4,200,000
Deferred income taxes (note 4)	606,000	231,000
Contingent liabilities (note 6)		
Total liabilities	21,971,587	18,255,580

Shareholders' Equity

			1971	1970
Capital stock (note 7)				
Authorized	Issued			
988,100	288,100	First preference shares with a par value of $10 each – issuable in series – 6% cumulative redeemable preference shares, Series A	2,881,000	2,881,000
10,000,000	3,669,429	Common shares without par value	2,319,003	2,319,003
			5,200,003	5,200,003
Deficit			(2,700,323)	(3,157,383)
			2,499,680	2,042,620
			$24,471,267	$20,298,200

CONSOLIDATED BUILDING CORPORATION LIMITED
(and subsidiary companies)

Consolidated Statement of Earnings

FOR THE YEAR ENDED FEBRUARY 28, 1971
(with comparative figures for 1970)

	1971	1970
Revenue:		
Sales of real estate	$11,633,353	$ 4,529,630
Gross income from investment properties	2,837,324	2,977,404
Interest and sundry income	200,328	220,922
Excess of par value over cost of debentures purchased for cancellation	149,585	59,310
	14,820,590	7,787,266
Expenditures:		
Cost of real estate sold (including net book value of investment property sold)	10,149,756	4,146,166
Operating expenses of investment properties (excluding interest and depreciation)	1,949,820	1,958,695
Selling, general and administrative expenses	685,630	490,911
Interest expense (note 8)	942,642	998,370
Depreciation and amortization of investment properties (note 6)	218,042	224,162
Amortization of financing costs	42,640	42,640
	13,988,530	7,860,944
Earnings (loss) for the year before income taxes	832,060	(73,678)
Deferred income taxes	375,000	(35,000)
Earnings (loss) for the year	$ 457,060	$ (38,678)

Consolidated Statement of Deficit

FOR THE YEAR ENDED FEBRUARY 28, 1971
(with comparative figures for 1970)

	1971	1970
Deficit, beginning of year	$ 3,157,383	$ 3,118,705
Earnings (loss) for the year	457,060	(38,678)
Deficit, end of year	$ 2,700,323	$ 3,157,383

(See accompanying notes)

Consolidated Statement of Source and Use of Funds

FOR THE YEAR ENDED FEBRUARY 28, 1971
(with comparative figures for 1970)

	1971	1970
Source of funds:		
Earnings (loss) for the year	$ 457,060	$ (38,678)
Add (deduct) non cash items		
Depreciation and amortization of investment properties	218,042	224,162
Amortization of financing costs	42,640	42,640
Deferred income taxes	375,000	(35,000)
Excess of par value over cost of debentures purchased for cancellation	(149,585)	(59,310)
Cash flow from operations	943,157	133,814
Net book value of investment properties sold	1,187,862	–
Less existing mortgage assumed by purchaser	992,148	–
	195,714	–
Increase in mortgage proceeds from housing inventory	2,984,815	69,000
Less increase in housing inventory (including land)	2,868,312	158,973
	116,503	(89,973)
Reduction in mortgages and sundry receivables	193,753	2,212,986
Increase (decrease) in accounts payable	340,320	(601,336)
Increase in mortgages and secured payables	836,200	116,750
Issue of common shares	–	1,414
Net change in other assets and liabilities	156,663	645
	2,782,310	1,774,300
Use of funds:		
Additions to investment properties	2,813,086	491,550
Less mortgage proceeds for investment properties	1,590,000	–
	1,223,086	491,550
Additions to lands held for development and sale	285,275	1,026,064
Principal repayments on investment property mortgages	491,071	359,120
Purchase of sinking fund debentures (principal amount $412,000, 1970 – $200,000)	262,415	140,690
	2,261,847	2,017,424
Decrease (increase) in bank indebtedness, net of cash	$ 520,463	$ (243,124)

(See accompanying notes)

Notes to Consolidated Financial Statements

FEBRUARY 28, 1971

1. Accounting policies

(a) **Consolidation**

(i) The accounts of all subsidiary companies have been included in the consolidated financial statements.

(ii) It is the Company's policy to account for investments in joint ventures on the equity basis. At February 28, 1971 investments in joint ventures consisted of advances to joint ventures which had not yet commenced operations and accordingly the investments are carried at the amount of the advances.

(b) **Depreciation**

The Company records depreciation on buildings held for investment purposes on a 4%, 40-year sinking fund basis. The depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum so that assets will be depreciated 40 years after construction or purchase.

Depreciation on equipment is recorded on a 10% straight line basis. Leasehold improvements are written off in equal annual instalments over the terms of the leases.

(c) **Real estate held for development and sale and houses completed and under construction**

These include the cost of land, land improvements, building construction costs and all carrying costs. Carrying costs include mortgage interest, realty taxes, legal fees and other direct expenses plus a portion of interest on general borrowings considered directly applicable.

The Company provides for the immediate write-off of any costs which are not recoverable from the profits on future sales. Accordingly the carrying value of these inventories is less than estimated realizable value.

(d) **Investment properties**

The Company constructs and operates properties of an investment nature, some of which may be sold from time to time, when, in the judgment of the Board of Directors, such sales are in the Company's best interest. The Company plans to register in 1971 as condominiums for sale properties with a net book value of approximately $2,800,000.

Investment properties are carried at cost including mortgage interest, property taxes, legal fees and certain overhead expenses (including interest) capitalized during the construction and initial leasing periods.

(e) **Income measurement**

Revenue from the sale of houses is recognized when the house is completed and accepted by the purchaser. Similarly, revenue from the sale of condominiums is recognized when the property has been registered as a condominium and the unit accepted by the purchaser. Revenue from the sale of land and investment properties is recognized when all material requirements of the Company related to the sales agreement have been met.

2. Bank indebtedness

The Company and a subsidiary have issued and deposited with their bankers as collateral security, demand debentures and a mortgage in respect to the bank loans and letters of credit outstanding. These debentures are secured by a first floating charge on the assets of the Company. In addition, accounts receivable and certain mortgage receivables have been assigned to the bankers.

3. Funded debt

(a) Mortgages payable of $7,273,364 on investment properties include principal repayments due over

the next five years as follows:

Year ending February 29, 1972	$178,070
Year ending February 28, 1973	873,654
Year ending February 28, 1974	167,957
Year ending February 28, 1975	181,137
Year ending February 29, 1976	195,321

Mortgages on the properties to be registered as condominiums in 1971 total $1,738,508 of which $374,885 is included in the table above. It has been the policy of the Company to negotiate the renewal of mortgages as they mature.

(b) The 6¼% sinking fund debentures, Series A, are unsecured and were issued by the Company pursuant to a trust indenture dated January 15, 1964, which provides that the Company is to retire by means of a sinking fund, $400,000 on February 1 in each of the years 1972 to 1975 inclusive, and $700,000 in each of the years 1976 to 1978 inclusive.

The trust indenture also provides that dividends on common shares may only be paid from the total of the consolidated net earnings subsequent to August 31, 1963 plus the net cash proceeds to the Company of the issue, after August 31, 1963, of any of its shares. As a result of this provision, the total of consolidated net earnings subsequent to February 28, 1971 and net cash proceeds from the issue of shares after that date will have to amount to approximately $7,050,000 (exclusive of preference share dividends in arrears) before dividends may be paid on common shares.

The trust indenture provisions do not apply to prevent the payment of dividends on the 6% cumulative redeemable preference shares Series A.

4. Income Taxes

Effective March 1, 1968 the company adopted the tax allocation basis of providing for income taxes, under which income taxes charged or credited to earnings are based on income recorded in the accounts; previously the provision for income taxes was based on income taxes currently payable.

Deferred income taxes of $375,000 have been charged against the 1971 earnings and included in the balance sheet as "deferred income taxes". These taxes are not currently payable but have been deferred to those future years when income taxes payable exceed income taxes charged against reported earnings. Tax reductions of $178,000 realized prior to March 1, 1968 as a result of claiming certain expenses in excess of the amounts recorded in the accounts have not been reflected as deferred income taxes.

In addition to timing differences which have resulted in deferred income taxes of approximately $784,000 to February 28, 1971 (of which $606,000 is recorded in the accounts), as of this date the Company is entitled to apply additional deductions for tax purposes of approximately $1,500,000 against taxable income of future years.

5. Commitments

The Company in the ordinary course of business, has options and agreements to purchase various parcels of land in and near Metropolitan Toronto which may be developed and/or resold. Acquisitions in this connection will be financed under a number of alternatives including joint venture arrangements. The Company leases a building under a long term lease requiring approximate annual rental of $242,000 exclusive of real estate taxes, insurance, maintenance and repairs, which are estimated at approximately $260,000. Rental income from these premises is estimated at $449,000 for the year ending February 29, 1972. The lease contains an option to purchase the leased premises.

6. Contingent liabilities

The Company has lodged letters of credit aggregating

$383,000 with municipalities as security for the fulfilment of its obligations under certain subdivision agreements. The Company is party to a number of joint ventures and accordingly is contingently liable for the indebtedness of these joint ventures of approximately $1,000,000 as at February 28, 1971. Against this contingent liability, the Company has a right to the related assets of the joint ventures.

7. Capital stock

Series A first preference shares:

Under certain conditions attached to the first preference shares, the Company is requried to set aside the amount of $150,000 annually with an overall limitation of $300,000 at any one time as a purchase fund for the purchase and cancellation of the preference shares. The amount set aside is to be applied as soon as practicable to the purchase of the Series A preference shares in the market, subject to certain price limitations. The Company is prohibited from complying with this condition because the Company is in a deficit position.

As at March 1, 1971, dividends on preference shares were in arrears to the extent of nineteen quarterly payments totalling $821,085. No dividends may be paid on common shares while preference share dividends are in arrears.

As long as dividends on the preference shares are in arrears to the extent of six or more quarterly payments, the holders of the preference shares shall be entitled to one vote in respect of each preference share held and in addition, voting separately and exclusively as a class, to elect three members of the Board of Directors of the Company.

Common shares:

During the year the Company obtained supplementary letters patent approving an increase in the authorized common shares from 6,000,000 to 10,000,000 shares.

Options to purchase 180,000 common shares are outstanding, exercisable in varying numbers at varying dates up to 1974, as follows:

125,000	at	$1.50
20,000	at	$2.00
35,000	at	$3.35

The Company has reserved 180,000 of the authorized and unissued common shares for the possible exercise of the options.

8. Statutory information

The aggregate direct remuneration paid by the Company and its consolidated subsidiaries in the 1971 fiscal year to directors and senior officers amounted to $207,459. Interest on debt initially incurred for a term of more than one year totalled $837,000 in the year, excluding $79,000 which was capitalized in the accounts.

9. Earnings per share

	1971	1970
Earnings (loss) per common share	$ .08	$ (.06)

The earnings (loss) per share figures are calculated by dividing the number of shares outstanding during the year into net earnings reduced by the annual cumulative preference share dividend of $172,860 (not paid or declared in either year). The dilutive effect of the outstanding stock option is insignificant.

10. Proposed reorganization

The directors have approved a plan for the reorganization of the capital structure which is subject to shareholder approval. The plan provides for the changing of preference shares into common shares on the basis of four common shares for each preference share held, and that the paid-up capital of the parent company, Consolidated Building Corporation Limited, be reduced so that its deficit is eliminated.

Auditors' Report

Clarkson, Gordon & Co.
Chartered Accountants

Royal Trust Tower
P.O. Box 251 Toronto-Dominion Centre
Toronto 111, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 864-1234 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Consolidated Building Corporation Limited:

We have examined the consolidated balance sheet of Consolidated Building Corporation Limited and subsidiary companies as at February 28, 1971 and the consolidated statements of earnings, deficit, and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at February 28, 1971 and the results of their operations and the source and use of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
June 15, 1971.

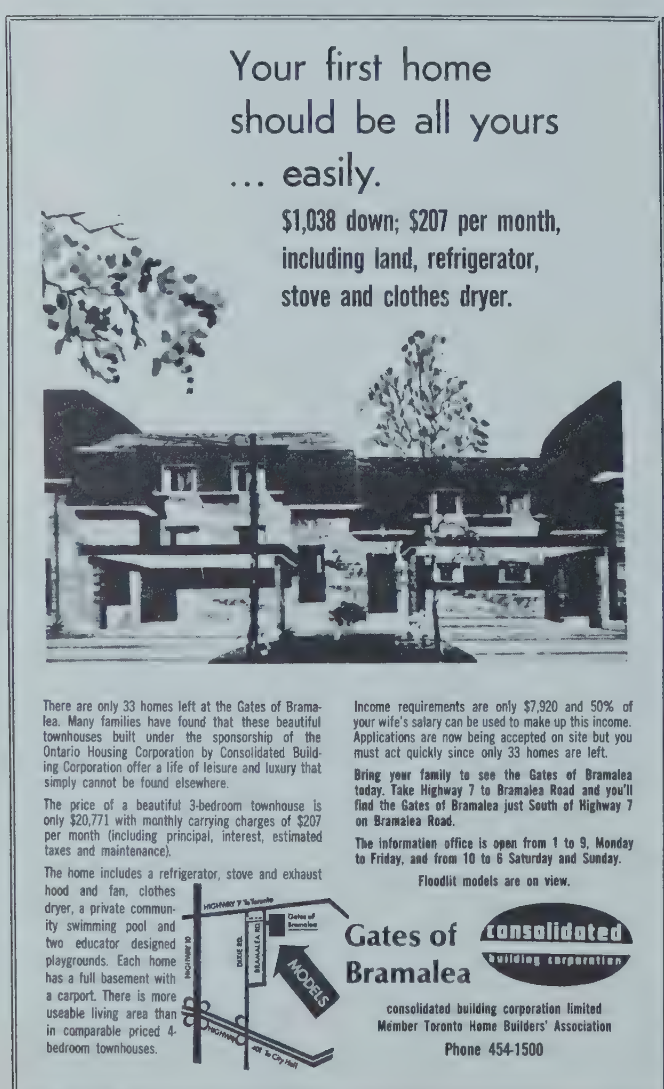
Clarkson, Gordon & Co.
Chartered Accountants

consolidated building corporation limited...

In almost all cases the Company is selling homes to the first time buyer. In 1970 an overall theme was developed to appeal to that segment of the market.

Each area in which the Company is selling homes has been using approaches such as "Your first home is the most special"; "Your first home should be easy to manage" and "Your growing family needs a place to grow".

These campaigns have been successful in communicating the idea that Consolidated Building understands the needs and satisfies the needs of the first time house buyer.



in the market place

1971 annual report
consolidated building corporation limited

99 avenue road, toronto 180, canada

PRINTED IN CANADA

TO THE SHAREHOLDERS:

The results of the first half ended August 31, 1971, have proven highly satisfactory for your Company, with net earnings after deferred income taxes totalling $354,595 or 7.4 cents per share. This compares most favourably with the corresponding period last year which resulted in a loss of $88,175.

The earnings for the first half, before deferred income taxes, amounted to $720,595 compared to a loss of $178,175 for the same period last year. Cash flow from operations for the six months equalled 17.4 cents per share, an increase of 10 cents per share over the first quarter. We are optimistic that year-end results will continue to show substantial growth over the February 28, 1971 earnings.

Total revenue amounted to $11,148,098 compared to $5,072,349 in the same period last year.

New projects are being started in Whitby and in Meadowvale (Mississauga), both of which are residential developments where the Company controls sufficient land for on-going building programs. In addition, three other residential developments are being processed through the planning stages, with construction starts projected for the spring of 1972.

Condominium sales have been highly satisfactory and we expect that these sales will reflect favourably in the second half.

We are engaged in active negotiations for the acquisition of additional land inventory and we shall keep you advised as transactions are finalized.

As a result of the recent reorganization of the Company's capital structure, 4,821,829 common shares are issued and outstanding and the preference shares, along with the cumulative arrears of dividends, have been eliminated, as has the deficit on the Company's balance sheet.

Your management is most optimistic with regard to the earnings potential of Consolidated Building Corporation and we look forward to reporting to you on our results for the third quarter.

L. Shankman

Lawrence Shankman,
President & Chairman of the Board

October 19, 1971

CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)

For the six months ended August 31, 1971

(With comparative figures for 1970)

	1971	1970
Revenue:		
Sales of real estate	$ 9,601,018	$ 3,491,500
Gross income from investment properties	1,438,309	1,466,039
Interest and sundry income	91,071	93,810
Excess of par value over cost of debentures purchased for cancellation	17,700	21,000
	11,148,098	5,072,349
Expenditures:		
Cost of real estate sold	8,426,468	3,284,317
Operating expenses of investment properties (excluding interest and depreciation)	1,030,699	1,005,544
Selling, general and administrative expenses	392,258	300,438
Interest expense	440,766	524,437
Depreciation and amortization of investment properties	115,992	114,468
Amortization of financing costs	21,320	21,320
	10,427,503	5,250,524
Profit or (loss) for the period before income taxes	720,595	(178,175)
Deferred income taxes	366,000	(90,000)
Profit or (loss) for the period	$ 354,595	$ (88,175)

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS (UNAUDITED)

For the six months ended August 31, 1971

(With comparative figures for 1970)

	1971	1970
Source of funds:		
Earnings (loss) for the period	$ 354,595	$ (88,175)
Add (deduct) non cash items		
Depreciation and amortization of investment properties	115,992	114,468
Amortization of financing costs	21,320	21,320
Deferred income taxes	366,000	(90,000)
Excess of par value over cost of debentures purchased for cancellation	(17,700)	(21,000)
Cash flow from operations	840,207	(63,387)
Net book value of investment properties sold	771,519	–
Less mortgage discharged on sale	81,000	–
	690,519	
Increase in mortgage proceeds from investment properties	1,000,000	750,000
Less additions to investment properties	255,373	1,340,764
	744,627	(590,764)
(Increase) decrease in housing inventory (including land)	3,508,038	(1,572,277)
Less (increase) decrease in mortgage proceeds from housing inventory	2,929,094	(254,000)
	578,944	(1,318,277)
Increase in mortgages and secured payables	839,416	1,137,750
(Increase) decrease in lands held for development and sale	407,184	(421,130)
	4,100,897	(1,255,808)
Use of funds:		
Increase (decrease) in mortgages and sundry receivables	2,320,363	(45,682)
Increase in deposits on land	255,410	–
Decrease (increase) in accounts payable	357,332	(801,691)
Principal repayments on investment property mortgages	98,272	110,412
Purchase of sinking fund debentures (principal amount $65,000, 1971—$50,000, 1970)	47,300	29,000
Net change in other assets and liabilities	228,377	48,611
	3,307,054	(659,350)
Decrease (increase) in bank indebtedness net of cash	$ 793,843	$ 596,458

Corp report

CONSOLIDATED BUILDING

Corporation Limited

INTERIM REPORT

For the Six Months Ended

AUGUST 31, 1971

consolidated building corporation

consolidated building corporation limited
99 Avenue Road, Toronto 180, Canada